



Linda S. Adams
*Secretary for Environmental
Protection*

State Water Resources Control Board

Division of Financial Assistance

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**Arnold
Schwarzenegger**
Governor

TO: Song Her, Clerk to the Board
EXECUTIVE OFFICE

FROM: Barbara L. Evoy, Deputy Director
DIVISION OF FINANCIAL ASSISTANCE

DATE: June 2, 2006

SUBJECT: SUMMARY OF COMMENTS; STATE REVOLVING FUND (SRF) LOAN PROGRAM;
DRAFT 2006/07 PROJECT PRIORITY LIST (LIST)

The Division of Financial Assistance (Division) prepared the 2006/07 SRF Draft Project List. The List was posted on the State Water Resources Control Board (State Water Board) website starting on April 24, 2006. Subscribers to the State Water Board's electronic mail notification system were notified on April 24, 2006, and May 19, 2006, of their opportunities to make corrections, additions, or deletions to the list, and make comments to the State Water Board. A total of 12 comment letters were submitted. Two letters directed to the State Water Board made comments regarding policy issues, nine letters requested changes, additions, or deletions to projects on the List, and one letter contained policy, additions, and changes to the Priority List.

Three letters offered policy comments concerning the State Water Board's adoption of the List; the comments were as follows:

1. Peggy Pavek

Comment:

In an email sent May 30, 2006, Ms. Pavek commented that a Proposition 218 vote should be taken prior to the adoption of the list.

Staff Response:

Proposition 218, passed by State voters in 1996, applies to local government agencies, such as cities and counties. It focuses on assessments, property-related fees, and a variety of general-purpose taxes and how they can be used to generate revenue. Proposition 218 does not pertain to the adoption of the SRF Priority List. Adoption of the SRF Priority List does not create any assessments, fees, or taxes, and does not obligate anyone to pay any assessments, fees, or taxes.

**2. Edward H. McCormick, Manager of Support Services Division, East Bay Municipal
Utility District**

Comment:

The District, in a May 30, 2006, letter to the State Water Board, requested that the Board consider projects in priority class E for funding since it is included in the *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* as a viable class for funding.



Staff Response:

Staff does not recommend projects in priority class "E" be eligible for funding at this time. The current demand for SRF funding by projects that have identifiable water quality benefits is high. The State Water Board's resources need to be devoted to projects that will have identifiable water quality benefits. Priority Classes A through D describe projects that address public health problems, correction of ongoing pollution problems, and pollution prevention. Priority Class E is for all other projects that are not in classes A through D. Staff recommends that only projects in classes A through D be eligible for funding in the state fiscal year 2006/2007.

2. Daniel M. Blesky, Interim General Manager, Los Osos Community Services District

Comment:

In a letter sent May 23, 2006, the District requested that its *Wastewater Collection, Treatment System, and Disposal Project* be added to the 2006/2007 SRF Priority List.

Staff Response:

Staff does not recommend that the project be included on the SRF Priority list at this time. The State Water Board has worked with the community of Los Osos since 1989, and executed contract no. 04-806-550 on August 8, 2005, with the District to help it build its wastewater collection system and treatment plant. The District violated its contract when it terminated construction in October of 2005, and currently owes \$6,486,144.00 to the State Water Board. The State Water Board is currently in litigation with the District about the District's SRF project no. 4014-110. Staff recommends that the District's project not be placed on the Priority list until the dispute over the previous contract is settled. Excluding the project from the 2006/2007 SRF Priority list does not prevent the District from seeking funds elsewhere. In addition, the State Water Board may add the District's project to the List any time after the dispute is settled by amending the Priority List.

Please see the attached for a summary of all requests for changes, additions, and/or deletions to the SRF Priority List.

Also attached is an updated copy of the draft Priority List. This is ready to be posted as Exhibit A to the agenda item posted on the State Water Board's Web site at http://www.waterboards.ca.gov/agendas/2006/june/0607_09.pdf.

If you have any questions, please call Christopher Stevens at 341-5698 or Kyle Wooldridge at 341-5744.

Attachments

S:AGENDA-DIVISION APPROVALS/2006-07 SRF PRIORITY LIST POLICY COMMENT SUMMARY DOC/2 JUN 06/ANNE

